

Message Text

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DRAFTED BY EB/IFD/OIA:DHSTEBBING

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TO AMEMBASSY SAN JOSE PRIORITY

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E.O. 11652: N/A

TAGS: EINV, CS

SUBJECT: MORTON B. TURBOW PROJECT

REF: SAN JOSE 4870

1. IN SEPARATE MESSAGE RESPONDING TO REFTEL, OPIC MAKES CASE THAT POLICY ON LAND ACQUISITION INVESTMENTS IN COSTA RICA WOULD NOT APPLY TO TURBOW PROJECT ON GROUNDS THAT HOUSING CONSTRUCTED WITH FUNDS FROM TURBOW'S MORTGAGE POOL WOULD BE SOLD ONLY TO COSTA RICANS. DEPARTMENT WOULD APPRECIATE YOUR CANDID EVALUATION OF THAT ARGUMENT AND YOUR VIEWS ON SEVERAL OTHER ASPECTS OF THE PROJECT THAT RAISE QUESTIONS. WE BELIEVE THAT IF THIS PROJECT SHOULD BE MODIFIED OR DISAPPROVED ON FOREIGN POLICY GROUNDS, THE DEPARTMENT SHOULD SO INFORM OPIC PROMPTLY.

2. POLICY ON LAND ACQUISITION INVESTMENTS: IF THE POINTS MADE BY OPIC ARE CORRECT, THE TURBOW PROJECT DOES NOT SEEM TO FALL UNDER THIS POLICY. WE WONDER, HOWEVER,

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WHETHER A MARKET EXISTS AMONG COSTA RICANS FOR THE EXPEN-

SIVE HOUSING OF MANSIONES DEL ROBLEDAL AND WHETHER TURBOW WOULD IN FACT BE ABLE TO DISCRIMINATE AMONG PURCHASERS BY NATIONALITY. OPIC POINTS OUT THAT IT WOULD NOT BE INVOLVED IN ANY FORECLOSURE PROCEEDINGS IN EVENT OF MORTGAGE DEFAULTS; BUT COULD TURBOW BECOME SO INVOLVED? IN ADDITION, WOULD EMBASSY CONSIDER THE PROJECT POLITICALLY

SENSITIVE EVEN IF IT DOES NOT FACILITATE ACQUISITION OF REAL PROPERTY BY FOREIGNERS?

3. USE OF U.S. SAVINGS AND LOAN FUNDS: THE FEDERAL HOME LOAN BANK BOARD (AN INDEPENDENT AGENCY WHICH REGULATES THE S AND L INDUSTRY, AS THE FEDERAL RESERVE BOARD REGULATES THE BANKING INDUSTRY) MUST GRANT APPROVAL IN ORDER FOR TURBOW TO UTILIZE S AND L FUNDS IN AN OFF-SHORE PROJECT. THE BOARD HAS INDICATED TO US INFORMALLY THAT IN LIGHT OF CONGRESSIONAL INTEREST, IT PLANS TO MAKE A DECISION IN A FEW WEEKS OR SOMEWHAT LONGER IF NEW INFORMATION BECOMES AVAILABLE. AT PRESENT THE BOARD IS NOT CERTAIN OF THE LEGALITY OF TURBOW'S PROPOSAL. IF THE BOARD DECIDES LEGAL ISSUE IN TURBOW'S FAVOR, IT MUST THEN CONSIDER SAFETY OF THE INVESTMENT FOR THE S AND L INDUSTRY AND THE AVAILABILITY OF S AND L FUNDS. ACCORDING TO A BOARD OFFICIAL, THE TURBOW PROJECT DOES NOT APPEAR MORE RISKY FOR S AND L INVESTORS THAN SIMILAR LOW-COST HOUSING GUARANTEE PROJECTS AND PROBABLY WILL NOT BE DISAPPROVED FOR REASONS OF RISK. APART FROM QUESTIONS OF LEGALITY AND RISK CONSIDERED BY THE FEDERAL HOME LOAN BANK BOARD, HOWEVER, THE DEPARTMENT HAS SOME MISGIVINGS ABOUT CHANNELING FUNDS FROM A DEPRESSED U.S. HOUSING INDUSTRY INTO UPPER CLASS HOUSING ABROAD.

4. DEVELOPMENT ASPECTS: IT IS NOT CLEAR FROM INFORMATION AVAILABLE THAT THE DEVELOPMENTAL ASPECTS ARE STRONG OR EVEN POSITIVE. WE WOULD APPRECIATE EMBASSY'S ASSESSMENT IN TERMS OF EMPLOYMENT AND PRESENT CONDITIONS IN COSTA RICAN CONSTRUCTION INDUSTRY, TAX BENEFITS, OR ANY OTHER ASPECT OF IMPACT ON DEVELOPMENT. WE NOTE THAT AID IS CONSIDERING A LOW-COST HOUSING PROJECT IN COSTA RICA. KISSINGER

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